

I am proud to submit the U.S. Department of the Interior's 2009 Agency Financial Report, which updates the American public and Congress on the performance and financial health of our Agency.

The sound management of Interior is fundamental to every facet of our mission and our agenda. I am particularly pleased to report Interior's 13th consecutive clean audit, which reflects the Department's commitment to sound financial management. I hope you will spend a few minutes reviewing this report and learning more about our efforts to continually improve financial performance and management.

From his first day in office, President Barack Obama set a high standard for accountability, transparency, and ethics in Government. Interior is working hard to uphold this high standard, and I am proud of the reforms we are making on behalf of the American people. Since being confirmed as Secretary of the Interior in January, I have made it a priority to strengthen our ethics programs, increase transparency in the conduct of our business, ensure we have strong scientific support for decisionmaking, and improve openness and collaboration with the public.

Interior's stewardship of the Nation's heritage, natural resources, and cultures affects the lives of all Americans, and Americans, in turn, rightly expect the most out of Interior's 70,000 employees. We have a duty to carry out our mission with dedication and distinction, openness, and accountability.

Serving the American people in the right way and upholding their trust is essential to meeting all the goals I have set for Interior, including:

- ▶ Creating a new energy frontier to increase the environmentally responsible production and transmission of renewable energy resources on Interior-managed areas, while ensuring that continued supplies of conventional, domestic energy are produced with rigorous environmental protections and improved accountability for revenue collection and oversight;
- ▶ Tackling the impacts of climate change on America's land, water, wildlife, and people; providing the science and land management tools needed to address the effects of climate change on our world; assessing the carbon sequestration potential of our public lands; and providing leadership by reducing Interior's carbon footprint;
- ▶ Addressing 21st Century water challenges, including helping communities improve conservation and increase water availability, restoring watersheds, and resolving longstanding water conflicts;
- ▶ Protecting America's treasured landscapes and conserving resources in parks, refuges, and the National Landscape Conservation System; protecting and restoring wildlife and habitat; and, supporting the goals of the Land and Water Conservation Fund;
- ▶ Ensuring a future for natural resource conservation with a 21st Century Youth Conservation Corps that can also assist in increasing opportunities for the Nation's youth; and,
- ▶ Empowering Indian Country with economic development and social programs, improved law enforcement programs, and expanded educational opportunities.

President Obama's goals for Interior are also reflected in his economic recovery plan, which includes landmark investments in national parks, public lands, refuges, and tribal communities. With the \$3 billion that Interior is investing through the American Reinvestment and Recovery Act, we will create jobs and restore America's timeless treasures, while adhering to a very high level of accountability.



This report provides measurable results of our programs, the status of Interior's compliance with certain legal and regulatory requirements, and information on management challenges and the steps we are taking to improve our financial performance and management. The financial and performance information we present in this report is fundamentally complete and reliable as required by Office of Management and Budget guidance. The annual assurance statement required by the Federal Managers' Financial Integrity Act (FMFIA) concludes that Interior can provide reasonable assurance that its systems of management, accounting, and administrative controls, taken as a whole, meet the objectives specified in Section 2 of the FMFIA.

Interior's approach to financial accountability is evolving as well. Beginning with the Fiscal Year (FY) 2009 report, Interior will present this Agency Financial Report (AFR) and a separate Annual Performance Report (APR). These reports previously had been combined and published in November. In addition to the audited financial statements, the AFR presents the results of the annual assessment of program leadership and stewardship of the resources and public funds entrusted to Interior, and provides a comprehensive snapshot of the most important financial information related to the programs Interior manages. While this financial report includes some performance information, the APR will provide a more comprehensive account of performance and will be released at the same time as the President's 2011 budget.

In FY 2008, the auditor's report contained a reportable condition that was considered to be a material weakness. I am pleased to report that this weakness has been resolved and no additional material weaknesses are reported for this year. We do recognize that we have other significant deficiencies that are currently being addressed (see response to auditor's report at the end of Part 2).

The goals and mission areas contained in the FY 2007-2012 Strategic Plan are reflected in the four Interior Mission Areas: Resource Protection, Resource Use, Recreation, and Serving Communities. The achievements related to these goals are reflected in this AFR.

I am proud of this report and of the progress we are making at Interior under President Obama's leadership. We are dedicated to upholding the trust of the American people, improving our stewardship of the Nation's resources, and strengthening our delivery of programs and services in the years ahead.



Ken Salazar
Secretary of the Interior
November 16, 2009

ABOUT THIS REPORT

The U.S. Department of the Interior's Agency Financial Report (AFR) for Fiscal Year (FY) 2009 provides performance and financial information that enables Congress, the President, and the public to assess the performance of Interior relative to its mission and stewardship of the resources entrusted to it. This AFR satisfies the reporting requirements of the following major legislation:

- ▶ Chief Financial Officers Act of 1990
- ▶ Government Management Reform Act of 1994
- ▶ Reports Consolidation Act of 2000
- ▶ Office of Management and Budget Circular A-136

During FY 2007 and FY 2008, the Office of Management and Budget conducted a pilot in which agencies were permitted to produce an alternative to the consolidated Performance and Accountability Report. The pilot had three required components:

- 1) an Agency Financial Report;
- 2) an Annual Performance Report with detailed performance information that meets Government Performance and Results Act requirements and is transmitted with the Congressional Budget Justification; and
- 3) a Citizens' Report that summarized both reports in a brief, user friendly format.

FY 2009 is the first year that Interior has participated in the alternative report process.

The AFR may be viewed online at www.doi.gov/pfm or on compact disc by submitting a request to:

**U.S. Department of the Interior
Office of Financial Management
Mail Stop 2557
1849 C Street, NW
Washington, DC 20240**

HOW THIS REPORT IS ORGANIZED

Part 1: Management's Discussion and Analysis (MD&A)

The MD&A section includes:

- ▶ Status of Key Performance Indicators organized by Mission Area
- ▶ Compliance with Legal and Regulatory Requirements (Federal Managers' Financial Integrity Act, Federal Financial Management Improvement Act, Inspector General Act Amendments (Audit Followup)
- ▶ Audited Financial Statement Results
- ▶ Major Management Challenges Confronting Interior
- ▶ Compliance with Other Key Legal and Regulatory Requirements
- ▶ American Reinvestment and Recovery Act of 2009
- ▶ Financial Management Systems
- ▶ Analysis of Financial Statements

Part 2: Financial Section

The Financial Section contains:

- ▶ Principal Financial Statements
- ▶ Notes to the Principal Financial Statements
- ▶ Required Supplementary Information (Combining Statement of Budgetary Resources, Deferred Maintenance, Minerals Management Service Minerals Revenue Management, Compliance Assessments, and Condition of Stewardship Lands and Heritage Assets)
- ▶ Required Supplementary Stewardship Information (Investment in Research and Development, Investment in Human Capital, and Investment in Non-Federal Physical Property)

Part 3: Other Accompanying Information

The Other Accompanying Information section contains:

- ▶ OIG Summary of Major Management Challenges Confronting the U.S. Department of the Interior
- ▶ Improper Payments Information Act of 2002
- ▶ Interior Organization Chart